WASTE WATCH

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REP. STEVE RUSSELL

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CONGRESSMAN
STEVE RUSSELL
REPRESENTING OKLAHOMA'S 5TH DISTRICT

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To the Citizens of the United States:

Over the past several months, I have also taken full advantage of the appropriations process to put forward proposals to cut unnecessary spending, including items featured in previous editions of *Waste Watch*. I have requested funding cuts for USDA grants for alcohol marketing, earmark-like "heritage areas," and unnecessary programs at the Department of Defense. I was happy to see the House approve an appropriations amendment I offered to eliminate some obvious printing waste in Congress.

I was also very pleased to see the "Making Electronic Government Accountable By Yielding Tangible Efficiencies (MEGABYTE) Act of 2016", which I sponsored with Congressman Matt Cartwright, signed into law in July. This bill has the potential to save $4 billion annually through more efficient procurement of software. Federal government IT spending remains an area ripe for billions of dollars of savings and efficiencies, as illustrated by multiple stories featured in *Waste Watch*.

I have introduced multiple additional bills in 2016 to eliminate low-priority and wasteful spending, including the following:

- H.R. 4769, To repeal the Advanced Technology Vehicles Manufacturing Incentive Program
- H.R. 4631, Stop Taxpayer-Funded Alcohol Marketing Act
- H.R. 4746, End NHA Earmarking Act
- H.R. 4838, No Tax Subsidies for Stadiums Act
- H.R. 5384, Federal Register Printing Savings Act of 2016
- H.R. 4710, End Subsidies for Tobacco Act
- H.R.4917, Free Market Flights Act of 2016
- H.R. 5270, Efficient Marine Mammal Protection Act

These are just a few of the numerous options available to reduce spending and lower the deficit. Some target obvious waste, such as illogical tobacco subsidies and printed paper documents that are routinely tossed in the trash. Others require Congress to think in terms of priorities, rather than simply continuing to fund anything and everything that might be beneficial. Considering the size of the deficit, any serious proposal to reduce spending deserves serious consideration in Congress.

Waste Watch No. 5 features ten new areas of wasteful, unnecessary spending, totaling over **$10 billion**. I intend to continue working to advance legislation to reduce the deficit and ensure precious taxpayer dollars are used for true national priorities.

Sincerely,

Steve Russell

Congressman Steve Russell
Lt. Colonel, U.S. Army (Ret.)

U.S. Pays Iran a $1.7 Billion Legal Settlement; Iran Promptly Directs the Money to Military Build-Up

A scene from Iran’s National Army Day Parade in April 2016

On May 18, 2016, the Guardian Council of Iran voted to increase Iran’s military budget by a whopping 90 percent from the previous year, to a total of $19 billion. The fat increase was made possible by the tens of billions in Iranian accounts that were unfrozen as part of the Obama administration’s Joint Comprehensive Plan of Action, better known as the “Iran nuclear deal.” The military spending spike was also financed, however, by a $1.7 billion direct payment from the U.S. government.[1]

The large check was a repayment of $400 million in Iranian money, plus interest, that the U.S. government had held in trust before the 1979 Iranian revolution. The regime of the Iranian Shah, then a U.S. ally, used the trust fund to purchase U.S. weapons. When the Shah was overthrown, the United States, understandably, did not pay the funds back to the hostile new regime. Despite the regime change, the Obama administration argued that Iran had a legal claim to the money and it was appropriate to settle it in light of the diplomatic progress between the U.S. and Iran.

Iran did not reciprocate the administration’s goodwill. Instead, it promptly transferred the $1.7 billion payment to the Iranian military.[2] Iran’s military is openly fighting in the Syrian civil war on behalf of the dictatorship of Bashar al-Assad,[3] and the Iranian government has long been known to actively support terrorist activity worldwide, including against U.S. service members in Iraq.

The U.S. State Department’s latest report on global terrorism, released June 2, 2016, found that “Iran continued its terrorist-related activity in 2015, including support for Hizballah, Palestinian terrorist groups in Gaza, and various groups in Iraq and throughout the Middle East.”[4] In addition, Iranian-supplied rockets, improvised rocket-assisted munitions, and roadside bombs were responsible for the deaths of at least 500 U.S. service members between 2005 and 2011.[5]

Defending the settlement in January, President Obama said, "Iran will be returned its own funds, including appropriate interest, but much less than the amount Iran sought. For the United States, this settlement could save us billions of dollars that could have been pursued by Iran. So there was no benefit to the United States in dragging this out. With the nuclear deal done, prisoners released, the time was right to resolve this dispute as well."[6]

No benefit to the United States—except denying a state sponsor of terror $1.7 billion for military buildup.

The U.S. has refused to pay this financial claim for decades, for good reason—doing so would provide direct financial support to a hostile regime. In light of Iran's continued terrorist activity, there was no reason to change that precedent.

Iran based its legal claim on the Algiers Accords of 1981, which the U.S. and Iran entered into to resolve the Iranian hostage crisis. The Iran-U.S. Claims Tribunal in The Hague, set up under the Accords to address financial claims between the two countries, has settled most financial claims between U.S. and Iranian individuals and companies, but many major claims between the two governments remain unresolved. Almost all of the intergovernmental claims were filed by Iran against the U.S.[7] Since the 1980s, the U.S. government has refused to pay back the trust fund and various other financial claims.

Brigadier General Pourdastan, commander of the ground forces of the Iranian Army, told reporters on May 22, 2016, "We consider the US and Israel as the main enemy and we prepare ourselves to confront the Great Satan."

As the administration's own State Department makes clear, Iran remains a dangerous, hostile regime. Now that the Obama administration has conceded this legal claim, Iran may pressure the U.S. to settle various other intergovernmental claims. In light of Iran's blatantly militaristic use of the $1.7 billion payout, the administration should immediately reverse its policy and refuse to consider any further financial claims by the Iranian government.

The U.S. Marine Corps Forced to Spend $22 Million to Relocate a Thousand Tortoises Across the Mojave Desert

A USMC officer releases a tortoise into the wild at the Twentynine Palms training site

The vast U.S. Marines Corps (USMC) training site at Twentynine Palms, California plans to relocate more than 1,100 desert tortoises from an area of the Mojave Desert needed for military exercises.[8] The USMC was forced to plan an airlift as part of an agreement with a civilian government agency to comply with the Endangered Species Act.[9] In 2013, the Marines acquired the 164,000-acre area, known as Johnson Valley, in order to make its training area large enough to conduct live-fire exercises with a full Marine Expeditionary Brigade (MEB).[10] The MEB is the force the Marines Corps would deploy first to respond to

military crises around the world, and can include up to 20,000 Marines with logistics, armor, artillery, and air support.[11]

To protect the tortoises from the live-fire exercises, the Corps plans to airlift them to six new sites in the Mojave. Most of the tortoises will be captured by 100 contract biologists.[12] The USMC has been forced to allocate $50 million for the "airlift, environmental assessments, fencing, research and health monitoring of the tortoises through the year 2045."[13] That amounts to over $45,000 per tortoise, money that could have funded the salaries of two battalions of Marines.

Despite the large financial commitment, an environmental group has threatened a lawsuit over the airlift, claiming that relocation is too dangerous. The Marine Corps planned exercises have been gutted, with no live-firing in Johnson Valley until the turtle plan is reviewed.

A MEB exercise requires live-fire, maneuver space, and air space for three battalion task forces. Without Johnson Valley, the Twentynine Palms training site can only accommodate two battalion task forces.[14] Until the tortoise issue is resolved, the USMC will be unable to properly rehearse how to coordinate the first U.S. Marine force to arrive in a war zone.

The DOD has already obligated $22,113,135 in contract funding to an environmental consulting firm in preparation for the tortoise airlift.[15] The contracts pay for "pre-translocation analyses" in the Mojave, and run between 2014 and 2018. If the environmental group succeeds in blocking the translocation, this money will be a total waste.

While there is certainly value in protecting tortoises, there needs to be a reasonable limit to the amount taxpayers spend on this effort. To put the USMC's forced $50 million translocation project in perspective, over the past five years the Environmental Protection Agency and Department of Interior—*combined*—spent only $7.5 million on dozens of tortoise-related grants and contracts, including numerous studies of the Mojave tortoises.[16] A $50 million price tag, coupled with indefinite delays to training exercises that are important to national security, simply is not a reasonable cost for this project.

These tortoises are not an endangered species. They are considered "threatened," which is one notch below endangered. The environmental group, the Center for Biological Diversity, has used this status as grounds for its lawsuit threat.

The concern, according to the *Los Angeles Times*, is the tortoises will be vulnerable to predators in the unfamiliar terrain, and the move will disrupt "complex tortoise social networks and genetic lines."[17] The Center for Biological Diversity claims up to half the tortoises will not survive the move, and contends the Marines Corps must obtain further review of its plan from U.S. Fish and Wildlife Services (FWS).[18] FWS has already approved the plan once, but the USMC agreed to let the agency review the plan again.[19]

The Twentynine Palms base also runs the Tortoise Research and Captive Rearing Site (TRACRS), which raises tortoises in captivity and releases them into the wild around the age of 9. TRACRS released 35 tortoises into the wild in 2015, as pictured above.[20]

Reasonable efforts to protect endangered and threatened species on military property are appropriate. At some point, however, these efforts become unreasonable, and the Twentynine Palms project has gone far beyond this point. If environmental groups have their way, the project could become even more complicated and expensive. It could even be cancelled altogether, resulting in the loss of $22 million in taxpayer money, not to mention mission-essential training space. The project needs to be simplified and wrapped up as soon as possible so that the Marines Corps can begin conducting training exercises necessary for national security.

Federal Highway Administration Pays for Off-Roading Trails in West Virginia [$760,000]

The Hatfield-McCoy Trails

Since 2011, the state of West Virginia has directed at least $760,000 in federal money to the "Hatfield-McCoy Trails," a system of over 700 miles of off-roading routes in the mountains of southern West Virginia. The trails are intended for ATVs, UTVs, dirt bikes, 4X4s, and other off-roading vehicles.[21] "Much of the land is private property, and the trails program works with landowners to make trails available,"according to Dirt Wheels Magazine. "At the moment, there are eight separate and distinct riding areas. Each has a name and at least one trailhead with parking, bathrooms and permits for sale."[22]

Most recently, on May 18, 2016, the state announced $200,000 for the Hatfield McCoy Regional Recreation Authority (HMRRA), which manages the system.[23] Just the previous year, an audit of HMRRA "found that the authority 'consistently ignored state laws regarding the handling and use of public funds,' conducting business 'as if these laws do not apply to that organization,'" according to a local news report from the *Register-Herald*.[24]

For example, HMRRA gave bonuses of more than $235,000 to its employees over a three-year period, in violation of the West Virginia Constitution. Over the same three-year period, HMRAA had an operating loss of over $4.2 million without taking into account federal and state subsidies. [25] "The authority mingles its revenue in its accounting system, and with inadequate documentation, 'makes it impossible to identify state money from federal money or revenues from sales and operations once it is placed in HMRRA's bank account,'" according to the *Register-Herald*.[26]

The federal funds come from the "Recreational Trails Program" (RTP) under the Federal Highway Administration, which may be used to develop trails for "hiking, bicycling, in-line skating, equestrian use, cross-country skiing, snowmobiling, off-road motorcycling, all-terrain vehicle riding, four-wheel driving, or using other off-road motorized vehicles."[27] Over $83 million was dedicated to the RTP for FY 2016. Half of these funds are allocated equally among the states, and the other half are allocated on the basis upon the amount of "fuel used for off-highway recreation by snowmobiles, all-terrain vehicles, off-highway motorcycles, and off-highway light trucks."[28] Motorized vehicle trails are a significant component of the program; a search of the RTP database turns up 70 grants benefiting ATV trails since 2000, for example.[29]

It is difficult to see the rationale for directing federal highway funding to these projects. It might be argued that walking or biking trails help improve public health by providing attractive options for physical exercise. Off-roading in motorized vehicles, however, offers much less exercise than hiking or biking. Also, unlike bike and pedestrian routes, there is no potential that off-roading trails will help alleviate congestion on roads by providing alternative transportation options. It appears the justification for trail systems like Hatfield-McCoy is the economic benefit it brings to the region. If the systems are truly bringing in money, however, state and local stakeholders should be able to devise a way to capture a portion of that money to continue financing the system. There is certainly nothing wrong with state and local governments providing fun recreation options to its citizens, but it is difficult to justify spending scarce federal dollars on these projects.

USDA Funds Beer Festivals in Europe and Japan [$701,117]

The American Craft Beer Experience in Japan

In FY 2016, the USDA awarded a "record allocation" of $701,117 to the Brewers Association (BA), a trade association for American craft brewers. The organization plans to use the money to participate in 15 different beer festivals, trade shows, and competitions throughout the world, including the Brussels Beer Challenge, Braukunst Live! in Munich, and the American Craft Beer Experience in Japan.[30]

The Brewers Association co-hosts the festival in Japan with in-country craft beer importers. The first-ever BA festival took place in Osaka and Tokyo in 2015. "Beers from 16 EDP members that supply the Japanese market were poured at their respective importers' booths. In addition, the BA showcased beers from 10 members that do not currently have distribution in Japan." Exhibitors included Kona Brewing Company, Sierra Nevada, and New Belgium Brewing Company.

The Brewers Association is just one of 62 different organizations in FY 2016 that received subsidies to promote agriculture-related products in foreign markets. USDA's Market Access Program (MAP) provides grants to trade associations and businesses to conduct "overseas marketing and promotional activities" for U.S. businesses, including "consumer advertising, public relations, point-of-sale demonstrations, participation in trade fairs and exhibits, market research and technical assistance."[31] In total, MAP distributed $172.8 million this year.[32]

The grant for beer festivals was far from the largest. Cotton Council International, for example, received over $13.3 million in MAP funding. California's Wine Institute, Sunkist Growers, and the Pet Food Institute also received checks over $1 million.

Most MAP funding is used to promote categories of products, such as pears, popcorn, livestock genetics, hides and leather, or foods from a particular region of the country. Remarkably, however, some is used to advertise specific brands, including Welch, Sunkist, Blue Diamond, Sunsweet, Sun-Maid, Cal-Pure Pistachios, and Ocean Spray, which belong to large farmer-owned cooperatives. "More than 600 small companies and seven agricultural cooperatives spent…15 percent of MAP funding to promote branded products," according to a 2013 GAO report.[33]

MAP has long been criticized by budget watchdogs. Citizens Against Government Waste calls it "one of the federal government's most blatant examples of corporate welfare,"[34] and Taxpayers for Common Sense highlights its "poor implementation and cost inefficiencies."[35] In a 2012 report, Senator Tom Coburn highlighted the Cotton Council's use of MAP funding to create a fashion reality TV show in India, and one company's MAP-funded promotion of "natural and organic hair care products for dogs, cats, and horses."[36] Senator Jeff Flake calls the program an "egregious and unnecessary waste," highlighting the MAP-funded Wine Institute's sponsorship of the "ATP Shenzhen Open Professional Tennis Tournament in China."[37]

The left-leaning U.S. Public Interest Research Group, meanwhile, calls MAP payments "billion-dollar handouts to huge, profitable agribusinesses."[38] The Obama Administration proposed cutting the program by 20 percent in its FY 2011 budget proposal "because it overlaps with other Department of Agriculture trade promotion programs and its economic impact is unclear."[39]

Supporters of the program claim the federal dollars have an outsize return on investment, pointing to a USDA-commissioned study that showed benefits for U.S. exports.

The Government Accountability Office, however, noted in 2013 that this study assumed that if MAP funding were eliminated, the beneficiaries would not spend their own money in its place. In fact, the study assumes, oddly, businesses would cut back on their own promotional spending without the federal investment. This highly questionable assumption is an important part of the study's conclusion that MAP increases U.S. exports.

The study also assumes that overseas marketing for MAP-subsidized products has a positive "spillover" effect on the overseas demand for other U.S. products. In other words, MAP-funded promotions for the Brewers Association and other MAP recipients are presumed to make overseas customers more interested in the exports of other U.S. businesses, even if they have no involvement in MAP. The study assumes that MAP promotions have some beneficial effect on exports in 64 percent of all markets for U.S. goods.

The 64 percent figure, however, was created simply by taking 80 percent of 80 percent. The number was "unsupported by data or industry evidence"—in other words, the authors made it up. The actual spillover effects could be far smaller, further undermining the study's claims.

The study was updated in 2010 with new data, but the underlying assumptions did not change. USDA considered commissioning a new study in 2014, but none has emerged yet.[40]

Overseas marketing no doubt has a positive impact on U.S. exports. For that very reason, however, U.S. businesses should have every incentive to pay for it. Trade associations may need to coordinate better among their members to fund cooperative overseas marketing campaigns, but there is a clear economic incentive for them to do so. There is no compelling need to use taxpayer money to support these private, for-profit ventures.

The Wisdom of Government: Federal Agencies Subsidize Craft Beer and Moonshine, but Fund Studies on Banning Malt Liquor [$1,626,038]

A series of NIH-funded studies examine local policies to restrict the sale of malt liquor.

Earlier this year, *Waste Watch No. 4* criticized a quarter-million dollar U.S. Department of Agriculture (USDA) grant, awarded in November 2015, to pay for the marketing of vodka and moonshine from a Virginia distillery. As this report shows, yet another USDA subsidy program funds marketing for craft beers. In the midst of these subsidies, however, the

National Institute for Health (NIH) awarded a series of four grants, totaling over $1.6 million, to study local laws banning and restricting the sale of malt liquor.

"Malt liquor is a troublesome product for communities," the grant description states. "Malt liquor is a lager beer with a higher alcohol content than regular beer (4-5 vs. 6-8%), and is associated with frequent daily drinking, heavy drinking, and with problem behaviors such as theft, disorderly conduct, assaults, and panhandling."[41] Many of the "craft beers" marketed with subsidies from the Market Access Program have similar alcohol content,[42] and the USDA-subsidized moonshine has a 45% alcohol content.[43]

The simple problem with restricting malt liquor, of course, is that abusers can easily switch to some other form of alcohol. In fact, malt liquor became more popular in Portland, OR in the 1990s when the city banned fortified wines.[44] Although it is true that for some consumers, an irresponsible drinking culture has developed around malt liquor, this irresponsible culture could easily shift to a different product—such as federally-subsidized beer, vodka, or moonshine, perhaps.

The USDA grant program subsidized several other hard liquor distilleries in 2015, as well as numerous breweries and wineries.[45] Since publishing *Waste Watch No. 4*, Congressman Russell has formally requested that the House appropriations committee cut Value-Added Producer Grant funding for alcohol products in the agriculture appropriations bill.[46]

Governments should interfere as little as possible in the free market economy. Unless they have a very good reason, they should neither encourage nor discourage the sale of private-sector products. At a minimum, they should not do both simultaneously.

It is true that malt liquor tends to be popular among alcohol abusers, due to its low price, large containers, and higher alcohol content. The drink is popular in 40-oz containers, and some consumers habitually drink these "forties" fast and recklessly.[47] "These large bottles are commonly sold chilled and wrapped in paper bags for immediate consumption and heavily marketed in minority and poor neighborhoods," according to a 2011 study.[48] The industry appears to have evolved to appeal to irresponsible drinkers. If this particular product is restricted, however, other product lines may simply adapt to these drinkers.

The four-year NIH study examines policies that 19 major U.S. cities have implemented to restrict the sale of malt liquor, and seeks to determine whether those policies have been effective in reducing alcohol-related crime in the targeted neighborhoods. The study also examines how state alcohol laws affect local efforts related to malt liquor. "Results will further our understanding of why some local alcohol policies are more effective than others in reducing problems associated with alcohol consumption, and how the state alcohol policy environment can facilitate or hinder local alcohol policymaking efforts." Project funding concluded on May 31, 2016, and the NIH now awaits publication of the study results.

It is possible that there is something uniquely pernicious about the malt liquor business, and targeting it truly can reduce alcohol-related crime in the long term. There is anecdotal evidence that these restrictions do help reduce abuse in the short term.[49] The NIH study has the potential to be a valuable source of objective data on whether anti-malt liquor policies are actually helpful. The language of the study, however, labelling it a "troublesome product" in the very first sentence of the abstract, suggests that the researchers think the virtue of restricting the drink is a foregone conclusion, and the only question is which restrictions are the most effective. For this research to be useful, the researchers must be impartial with their data and seriously examine whether these restrictions have any long-term benefit at all. There should be a very high bar of evidence to justify government restrictions on a private business. The researchers must ensure their final published product deals with this issue impartially.

It makes no sense to promote alcohol consumption with tax dollars on one hand and grant tax dollars to study why restrictions on alcohol consumption are needed on the other. In the meantime, Congress could stop actively encouraging increased alcohol consumption by ending USDA subsidies for alcohol marketing, as recommended by Congressman Russell.[50]

Federal Agencies Sink Billions into Maintaining Obsolete, Decades-Old IT Systems

A Department of Defense IT system that coordinates the operational functions of the nation's nuclear forces, including ICBMs and nuclear bombers, uses 8-inch floppy disks like the one pictured above. The system is 53 years old.

Agencies throughout the federal government maintain thousands of IT systems that handle everything from tax returns to health records to coordination of the nation's nuclear forces. Some of these systems are decades old, relying on ancient technology like eight-inch floppy disks and computer programming languages developed in the 1950s. A Government Accountability Office (GAO) review of 12 major agencies, for example, found eight significant federal IT systems that are over 50 years old. Maintaining these antiquated systems is extremely expensive, since the components and programmers to keep them running are no longer widely available.

As the systems get older, maintenance costs only rise. From FY 2010 to FY 2017, estimated government-wide operations and maintenance (O&M) costs have risen steadily from $55 billion to $63.1 billion, an $8.1 billion increase. As more dollars are gobbled up by O&M, less is available for investing in new, updated IT systems. Over the same eight-year period, annual investments in IT modernization has declined by $7.3 billion.[51]

The danger here is clear. As O&M siphons more and more resources away from modernization, the federal government's IT systems may become caught in a vicious cycle of wasteful antiquation and obsolescence.

One agency, the Social Security Administration, even reported that it had to hire back retired employees to maintain an IT system. The aging IT systems also pose security risks, since the vendor no longer supports them. "Commerce, Defense, DOT, HHS, and VA reported using 1980s and 1990s Microsoft operating systems that stopped being supported by the vendor more than a decade ago,"[52] according to GAO.

Many agencies have no specific plans to update their aging systems. The ten oldest IT systems identified by GAO were between 39 and 53 years old—yet only five of these systems had specific, defined plans for modernization or replacement. Agencies only had a vague intention to replace other five systems, with no defined timeline.[53]

GAO recommended that the Office of Management and Budget (OMB) direct agencies to identify their systems that need to be replaced. Once agencies have made these determinations, however, they must take action, replacing obsolete IT systems with new, updated software wherever it will save taxpayer money in the long term.

What Went Wrong: Why Healthcare.gov Failed on Launch after Costing the Taxpayers $319 Million

On October 1, 2013, the long-awaited HealthCare.gov, a crucial feature of President Obama's health care law, went live. The website was intended to help consumers shop for private health insurance plans available under the new law. On launch, however, the website was rife with glitches, with most visitors unable to access it at all.[54] By the end of the first day, only six consumers in the entire nation were able to select a plan.[55]

When HealthCare.gov first launched, most users were unable to get past the initial error screen

Although the White House initially attributed the problem to the high number of visitors to the website,[56] it soon became clear there were major design problems with the system. Subsequent investigations revealed serious management missteps by the agency and contractor that led to the breakdown. As of the end of October 2013, the agency had spent $319 million on HealthCare.gov,[57] most of which had been sunk into the failed system.

The agency scrambled to get the site back online, ultimately replacing the lead contractor entirely and overhauling the system's code. Though the website continued to suffer glitches, it was sufficiently functional that consumers were able select plans before 2014. The overhaul came at a cost, however. When the contracts for the Federal Marketplace were first awarded, their cost was estimated at $464 million. By early 2014, however, cost estimates had ballooned to $824 million.[58]

CGI Federal, the contractor in charge of the core components of HealthCare.gov, operated under a "fixed fee plus cost" contract, which gave them a fixed payment regardless of the project cost, allowing them to charge all additional costs to the taxpayers. This contract type was thought to be necessary because it was uncertain how much work HealthCare.gov would require, but unfortunately it allowed minimal control over cost escalation.

In 2016, the Department of Health and Human Services Office of Inspector General (HHS OIG) released a report detailing the numerous management failures that led to the breakdown, as well as the steps taken to recover the website.

The first problem was a simple lack of leadership. The Centers for Medicare and Medicaid Services (CMS) failed to designate a single official from the beginning who was the clear "business owner" responsible for the Federal Marketplace. Without a single clear leader to make decisions, contractors and officials were delayed as they tried to figure out how to get their actions approved. The number-one and number-two officials at CMS were also new to the agency, further contributing to a lack of clear and effective leadership. High rates of turnover among other high-level staff added even more confusion and delay. After outside consultants repeatedly warned CMS about the lack of leadership, CMS finally appointed the CMS Chief Operating Officer (COO) as head of the project in early 2013. Unfortunately, however, "the assignment was not formally announced, the position was not supported by clear responsibilities, and the designee had an already large responsibility as CMS COO," according to the OIG.[59] This made the position ineffective.

Second, the project become bogged down in the large, rigid bureaucracy of CMS. Ten months into the project, it became clear the small, specialized office set up to manage the project did not have adequate infrastructure and budget to complete the job. The project was turned over to CMS, the agency in charge of Medicare and Medicaid. Creating a website like HealthCare.gov called for a "start-up" mentality that encouraged creativity and innovation, according to the OIG, but CMS was a traditional federal bureaucracy, with "rigid management methods and an established hierarchy."

After taking over the project, CMS distributed the work among locations scattered throughout the Washington, DC area. One office developed policy, another coordinated the technical website build, and still others awarded contracts, managed the budget, communicated with consumers, and designed the application form for customers. Not only were the offices physically separate, they had "different operating procedures, reporting structures, and lines of authority." This fragmentation weakened communication and led to widespread confusion about who was responsible for what.

Third, CMS spent far too long puzzling through the policies that would govern the federal and state marketplaces, leaving less time to actually design and code the website. Even after the project started, CMS continually revised and updated their "business requirements," the specifications for what they wanted the website to do. This added more delays. Due to the high political profile of the project, White House staff were heavily involved in the policy development phase, but the White House's involvement only slowed progress. "CMS staff expressed frustration that the close involvement of White House staff and HHS officials resulted in a complex process for making decisions and caused delays in completing policy work," the OIG said. "They were particularly frustrated when they perceived heavy involvement about what they believed were relatively small issues." There was apparently extensive time and discussion spent changing the term "nationwide health insurance" to "health insurance," for example.

The shaky constitutional validity of the Affordable Care Act also caused delays in policy development. While waiting for the Supreme Court to rule on the legality of the individual mandate in 2012, "regulations slowed to a trickle," according to a contractor, since the ruling could dramatically impact implementation.

Development of policy and business requirements continued long after the contractors began building the website. The lead contractor for the system, CGI Federal, adopted a modern method of software development known as "Agile" that allowed the project to be broken into smaller two-week "sprints," with each segment tested as it was completed to ensure it functioned as desired. Agile is intended to allow managers to adjust their requirements as the project proceeds. CMS did not understand Agile, however, failing to define business requirements before the sprints, changing requirements throughout the sprints, and making too many changes too late in the process.

Changes to business requirements were supposed to be coordinated by CMS's Change Control Board, but the board frequently cancelled decision meetings to approve changes and did not always inform contractors immediately when changes were approved, adding more delays. The continuous, poorly-coordinated changes to policies and requirements when the project was already underway added delays and increased costs.

Fourth, CMS and the contractor made poor technology decisions. Over the objections of CGI Federal, CMS directed the contractor to incorporate a more versatile software platform developed by MarkLogic into its traditional software platform. CGI Federal lacked the expertise to handle the MarkLogic platform, however, and never hired adequate staff to implement the technology. CGI Federal also relied extensively on Modal-Driven Architecture (MDA), a technology that automatically generates software code. CGI did not coordinate MDA effectively with human-written code, however, and MDA became "one of the biggest culprits in the coding problems," according to the OIG.

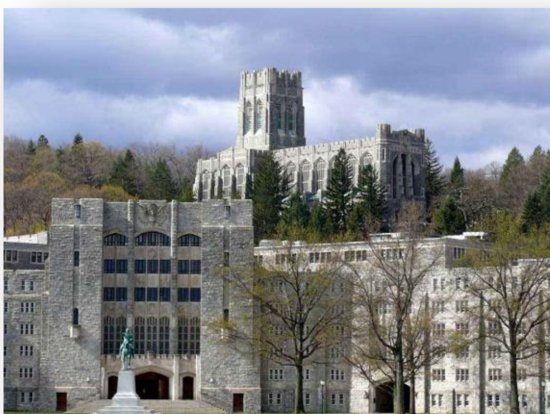
Leading up to the launch date, outside consultants gave "scathing reviews" of the website's development, pointing out "inadequate planning for website capacity and deviation from IT architectural standards." For example, "in some instances the website software requested to access information from the FFM database over 100 times for a single operation that should require 1 or 2 requests," according to the OIG. "Compounding this problem was the fact that the requested information from the FFM database used what one CMS staffer called a 'bloated data model' that made the information '10 times the ideal size' and larger with each request." In total, CMS received 18 reports with "substantial details of the project's shortcoming." Although CMS made note of these performance problems, the agency failed to direct the contractor to correct them.

As the October 1, 2013 deadline approached, it became clear there would be no time to conduct proper "end-to-end" testing of the website, much less to correct the numerous problems a rigorous test would uncover. Yet, according to the OIG, "no one among CMS leadership…seriously discussed delaying the October 1 start date." Up until the failed launch, CMS remained resistant to the mounting bad news, keeping to the same basic plan despite falling increasingly behind schedule. In the end, the agency made only weak, late corrections that were wholly inadequate to rescue the project.

When the site launched on October 1, the disastrous failings of HealthCare.gov finally became evident to all. Millions of Americans tried and failed to access the system. As the website became a public relations fiasco, CMS finally took serious action to change the project's management. The agency brought on additional staff, broke down bureaucratic barriers, and promoted a "badgeless" culture to encourage all team members to work together. Managers actively looked for problems rather than ignoring them. The agency adopted a policy of "ruthless prioritization" to ensure the most important website functions were completed first, and ensured that functions were fully functional before release, even it meant pushing back delivery dates. Eventually, consumers were able to enroll in plans, although some problems continued. Subsequent OIG investigations found weaknesses in the Marketplace's capacity to verify consumers were eligible for assistance, detect payment errors, and ensure payments were only made to enrollees who paid their premiums. Just this year, the Government Accountability Office (GAO) found HealthCare.gov needed to improve its information security to protect private data. GAO made 27 recommendations related to identification and authentication, authorization, encryption, and other issues.[60]

With its new approach, CMS has greatly improved its ability to respond to challenges like these and ensure the website functions as intended. HealthCare.gov remains a significant federal IT challenge, but also a valuable case study for how the federal government can turn around the numerous other over-budget, behind-schedule, poorly-functioning IT systems throughout the federal bureaucracy.

West Point Spent $2.1 million from its Gift Fund Without Tracking Where the Money Went



United States Military Academy at West Point

The United States Military Academy at West Point spent $2.1 million in funds donated to the institution without documenting what the money was spent on. West Point receives millions of dollars in gifts every year from the West Point Association of Graduates, a nonprofit organization of Academy alumni. The funds are used to pay for a range of programs including scholarships for the students, preservation of West Point facilities, and research grants.[61]

According to the DOD Inspector General, however, the Academy appointed 108 disbursing officers who were provided with insufficient training to manage the gift account. The disbursing officers distributed funds without sufficient documentation such as receipts and invoices, resulting in 67 out of 70 disbursements the IG examined being classified as improper payments. One officer inappropriately disbursed $30,000 in cash advances due to the lack of training, while another paid $100,000 for library books without documenting how many books were included. The lack of documentation increases the risk that the funds could be misused or wasted.

The IG also noted that instead of using an Army required system, West Point used a commercial checking account to manage and disburse gift funds it received. Assistant Secretary of the Army required West Point to use the General Fund Enterprise Business System, an online accounting management system, to account for gifts. West Point received exception from this requirement until December 31, 2013 but the Academy had to begin using the General Fund Enterprise Business System beginning January 1, 2014.

In February 2013, the former Chief of Staff at West Point requested permission from the Assistant Secretary of the Army to manage gift funds under a banking system where deposits are maintained in a commercial checking account and disbursed onsite. In January 2014, the Assistant Secretary of the Army denied West Point's request. However, West Point continued to use a commercial checking account to manage and disburse gift funds. Monetary gifts from donors of $20,000 or less were disbursed into this commercial account which accumulated $1.8 million between Fiscal Year 2012 and 2013.

Department of Defense regulations require the Secretary of Defense to designate disbursing officials to disburse public money. West Point had no authority to appoint disbursing officers for the gift fund, yet it appointed 108 of them. In addition to appointing officers to a disbursing office, West Point also allowed department heads to appoint their own disbursing officers who could oversee their respective departments.

West Point developed training for the disbursing officers but this training was not properly approved. As a result, disbursing officers were performing duties that should have been divided between separate officials. The disbursing officers also approved disbursements of funds without proper documentation such as invoices, receiving reports or receipts. Out of 70 disbursements made between 2012 and 2013, 67 lacked proper documentation. This amounts to $2.1 million worth of disbursements without proper documentation.

When making monetary gifts, donors may specify a purpose for the use of the funds. Without receipts, invoices or receiving reports, West Point cannot assure that gift funds were used for the intended purpose of the donor.

One disbursing officer at West Point made payments on unit travel cards that included $30,000 in cash advances over a 2-month period. Federal travel regulations prohibit the use of unit travel cards for cash advances but this officer's training did not inform him of this regulation.

Another disbursing officer paid $100,000 for a lump sum of library books based on an incomplete receiving report. A receiving report was part of the payment package but it did not indicate the quantity of books or the date of receipt and acceptance.

The Inspector General report made several recommendations to fix the problems at West Point, including recommendations to review West Point's disbursing operations and examine all available supporting documentation for the questionable $2.1 million in disbursements. The Assistant Secretary of the Army agreed to conduct the reviews.[62]

Why is the Department of Defense Buying Fruits and Veggies for Schoolkids?

The U.S. Department of Defense now manages fresh fruit and vegetable purchases for civilian schools through "DOD Fresh"

In 1994, the Defense Logistics Agency (DLA) within DOD took on an unusual new mission: buying fruits and vegetables for public school cafeterias throughout the country. The DOD Fresh Fruits and Vegetable Program (DOD Fresh) acts as a middleman between public schools and produce distributors, providing "as many as 50 different types of produce, available in multiple forms (whole, precut, and a variety of pack sizes)."[63] Schools participating in DOD Fresh do not need to have any ties to military families or military bases.

The DLA was originally responsible for fresh fruit and vegetable purchases for military bases.[64] When DOD Fresh was started, a limited number of schools were simply added to the delivery routes of existing produce vendors on their way to military bases. The program quickly outgrew this model, however. Now, the contracts for schools are completely separate from the military contracts, and the DLA supplies far more produce for schoolkids than soldiers. This year, 48 states and several territories will receive a total of $225 million worth of produce through the DOD, paid for with school food dollars from the USDA.[65] Military bases, meanwhile, received about $75 million in goods.[66]

The DLA's Defense Supply Center Philadelphia (DSCP) manages the fruit and vegetable orders.

"Mission creep" is defined as "a gradual shift in objectives during the course of a military campaign, often resulting in an unplanned long-term commitment."[67] In too many cases, this phenomena has drawn the DOD outside the realm of military operations altogether, entangling the agency in purely civilian issues—like buying fruits and veggies for kids.

Mission creep can not only distract an agency, it can result in wasteful duplication and overlap. Remarkably, the U.S. Department of Agriculture (USDA) still does largely the same thing as the DLA. Schools continue to order most of their food through the Food and Nutrition Service (FNS) within USDA. FNS is the logical agency to handle these orders, since it funds and manages the National School Lunch Program, School Breakfast Program, Summer Food Service Program, and Fresh Fruits and Vegetable Program (which pays for fruit and vegetable snacks outside of meals), among others.[68] FNS offers fruits, vegetables, meats, grains, and other foods from U.S. producers. It even supplies a limited range of fresh produce, directly overlapping with DOD Fresh with offerings of fresh oranges, apples, pears, potatoes, and sweet potatoes.[69]

On top of that, FNS now also provides extensive support for schools to contract directly with produce vendors through its Farm to School Program, which Congress created in 2010. Schools can access a variety of local, fresh produce through this initiative.[70] Despite these options, school cafeterias still work extensively with DOD for their food needs—an agency that should be focused on waging war and defending the nation. In fact, the 2008 farm bill required that at least $50 million of schools' federal entitlement funds be used to purchase food through DOD Fresh.[71]

Because of this overlap, both the DOD and the USDA must hire employees, establish procedures, conduct research, and manage contracts for the same basic purpose of supplying schools with fresh produce. These duplicative administrative costs are simply wasteful. On top of that, school administrators throughout the nation must waste time placing orders through separate systems for their fresh fruits and vegetables.

According to individuals familiar with the program, the USDA originally asked DOD to take on this role because it lacked the same capacity as DOD to manage contracts for a wide variety of fresh produce. More than 20 years later, however, DOD Fresh has taken on a life of its own. The time and resources DLA spends arranging fresh produce deliveries for schools now far exceeds the time it spends supplying produce to the DOD's own military bases. The USDA is deeply involved in every aspect of U.S. agriculture; it should be able to develop the capacity to manage fruit and vegetable contracts without much difficulty.

DLA should transfer the job of managing produce contracts for civilian schools to the FNS. FNS should also coordinate these contracts with the rest of its produce offerings to avoid overlap and simplify the task of ordering fresh food for the nation's schools.

Federal Arts Agencies Continue Funding Glitzy Los Angeles Museum Dedicated to the Film Industry [$145,000]

Artist's depiction of the planned Academy Museum of Motion Pictures

The Academy Museum of Motion Pictures, set to open in 2018 in Los Angeles, is to be the "world's premier museum devoted to exploring and curating the history and future of the moving image."[72] It will include "10 million photographs, 190,000 film and video assets, 80,000 screenplays, 50,000 posters, and 20,000 production and costume design drawings."[73] The renovated building to house the museum will include a large spherical addition to the original building which "will house the Museum's state-of-the-art premiere-sized theater as well as a spectacular roof terrace with expansive views of the city."[74] The museum is owned by the Academy of Motion Picture Arts and Sciences, the organization that puts on the Oscars.

Both the Academy and the film industry as a whole have substantial financial resources, but that did not stop the organization from seeking federal government money. From 2014 to 2016, the Academy received four federal grants, totaling $145,000, to support exhibits and projects for their new museum. The grants come from the National Endowment for the Humanities (NEH) and the National Endowment for the Arts (NEA), and will help pay for the development of an audio archive, historical exhibit, and a web portal for the museum.[75]

The Academy began winning federal arts funding for the first time shortly after the museum was green-lighted in 2012.[76] The NEH and NEA funded the museum in 2014 with grants of $40,000 and $50,000 to support the Oral History Digital Archive. The project will document interviews of famous individuals throughout filmmaking history and will be available online and to museum visitors.[77] "Interviews from artists such as writer/director Billy Wilder, 'Magnificent Seven' composer Elmer

Bernstein, silent film actor Blanche Sweet, and editor Margaret Booth will be featured," according to the NEA.

In 2015, the NEA continued the funding stream with a $25,000 grant to support a historical exhibit that will "focus on the multiplicity of artistic disciplines at the core of filmmaking and emphasize the intersections of art and science in storytelling," according the NEA website. The grant will finance "planning" for the exhibit: "Goals for the planning phase include refinement of the exhibition's conceptual themes, selection of related artist projects and creation of a film/film clip listing, artifact checklist, and preliminary interpretive plans."

The 2015 grant was highlighted by Senators James Lankford (R-OK) in his waste report, who called the grant to the wealthy organization "disconcerting" and "unconscionable."[78] Senator Rand Paul also critiqued the grant, noting it "equals the full federal tax liability of almost four average Americans."[79]

However, this has not stopped the NEA from awarding yet another grant in 2016 to help develop the museum's website. The web portal will display the "Cabinet of Wonders gallery," which will showcase objects from the museum's collection, "such as an annotated script from 'To Kill a Mockingbird' (1962), a Wonka Bar from the set of 'Willy Wonka and the Chocolate Factory' (1975), and a 1975 Steadicam camera."[80]

NEA and NEH grant funding is often rationalized by claiming that society undervalues and underfunds the arts and humanities. This certainly does not apply to the entertainment and media industry, however, which is one of the biggest businesses in the country, worth an estimated $630 billion in 2016.[81]

The Academy has enjoyed a generous share of this wealth. To put into perspective how much the Academy of Motion Picture Arts and Sciences already has, the 2015 Oscars Awards Ceremony, and related events such as the nominating ceremony, cost $42.7 million to produce and brought in $109 million in revenue. Each nominee was given a gift bag worth $200,000, and the envelopes for each nominee were handmade and cost $200.[82] Clearly, the Academy is more than capable of paying for this museum on its own without government grants. If Hollywood wants to build a museum to celebrate itself, it should not be at the taxpayer's expense.

Appendix: Breakdown of $10 Billion Total

Article Title	Description of Amount	Amount
U.S. Pays Iran a $1.7 Billion Legal Settlement; Iran Promptly Directs the Money to Military Build-Up	Total value of settlement payment to Iran	$1,700,000,000
The U.S. Marine Corps Is Spending $22 Million to Relocate a Thousand Tortoises Across the Mojave Desert	Total funds obligated under five contracts for "desert tortoise pre-translocation analyses"	$22,113,135
Federal Highway Administration Pays for Off-Roading Trails in West Virginia	Total value of federal grant money directed to the Hatfield McCoy trail system	$760,000
USDA Funds Beer Festivals in Europe and Japan	Total value of Export Development Program allocation to the Brewers Association	$701,117
The Wisdom of Government: Federal Agencies Subsidize Craft Beer and Moonshine, but Fund Studies on Banning Malt Liquor	Total value of the four NIH grants	$1,626,038
Federal Agencies Sink Billions Into Maintaining Obsolete, Decades-Old IT Systems	The amount by which annual federal government IT operations and maintenance costs have increased from FY 2010 to FY 2017.	$8,100,000,000
What Went Wrong: Why Healthcare.gov Failed on Launch after Costing the Taxpayers $319 Million	Total amount spent on healthcare.gov as of the end of October 2013, shortly after the failed launch.	$319,000,000
West Point Spent $2.1 million from its Gift Fund Without Tracking Where the Money Went	The value of disbursements from West Point that were not properly documented by receipts and invoices.	$2,100,000
Why is the Department of Defense Buying Fruits and Veggies for Schoolkids?	The waste is a result of the duplicative administrative overheard in the DLA and FNS. To illustrate one part of the potential waste, this report uses the starting annual salary of one DLA contract specialist.	$50,000
Federal Arts Agencies Continue Funding Glitzy Academy Museum Dedicated to the Film Industry	Total value of four federal grants to the Academy Foundation	$145,000
Total		$10,146,495,290

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